(d) Does n t arise, in view of reply to part (c) above. The basis for setting the targeted amount is a realistic approach looking into the past history and also the fact that the major portion of the outstanding income tax demand is difficult to recover.

Reform in Banking System

†1541.DR. MURLI MANOHAR JOSHI:
SHRI RAVI SHANKAR PRASAD:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that according to an expert report the reforms in the banking system in the country can raise the GDP upto 7 per cent;

(b) if so, the details in this regard and Government's reaction thereto;

(c) whether Government have taken any steps for implementing reforms in the banking system; and

(d) if so, the time bound benefits likely to be achieved after such reforms?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BÁNSAL): (a) and (b) Government/Reserve Bank of India does not have any estimate of the quantum of GDP that can be generated by reforming the banking sector.

(c) and (d) The thrust of the financial sector reforms in India was to promote a diversified and efficient financial system with the ultimate objective of improving the allocative efficiency of resources through operational flexibility, improved financial viability and institutional strengthening. Since 1991, various reform measures have been introduced in the banking sector in a gradual manner. These include:—

* Creation of a conducive policy environment-Measures were aimed at reducing the high levels of statutory pre-emption in the form of reserve requirements, gradual rationalization and liberalization of administered interest rate structure and streamlining the allocation of credit to certain sectors.

†Original notice of the question was received in Hindi.

* Enhancing the competition, which in turn led to the improvement in efficiency and productivity of the system.
* The ownership base in the domestic banks has been broad-based.
* Introduction of micro-prudential measures with a view to converge with international best practices.
* Strengthening of regulation and supervision.
* Introduction of measures to ensure integrity of payment and settlement systems.
* Strengthening of the legal environment for conducting banking business.
* Improvement of transparency and disclosure standards in banks' balance sheet.
* Improvement in Corporate Governance in Banks.
* Phased implementation of Risk-Based Supervision.
* Uniform accounting of repo/reverse repo transactions.
* Prudential norms for loan classification were further tightened.
* Setting-up of Asset Reconstruction Company (ARCIL).
* Revised Banking Ombudsmen Scheme has been introduced in January 2006.
* Banks were asked to frame fair practice code based on the broad guidelines issued by RBI.
* Banking Code and Standard Board of India was set-up to monitor implementation of fair practice code.
* A road map for Basel-II Implementation in India was issued by RBI.

The reform measures have had major impact on the overall efficiency and stability of the banking system in India. The present capital adequacy of Indian banks is comparable to those at the international level. There has been a marked improvement in the asset quality with the percentage

of gross Non-Performing Assets (NPAs) to gross advances for the banking system reduced from 14.4 per cent in 1998 to 3.48 per cent in March, 2006. The reform measures have also resulted in an improvement in the profitability of banks. The Return on Assets (RoA) of the banks rose from 0.4 per cent in the year 1991-92 to 0.88 percent in March 2006. Considering that globally, the RoA has been in the range of 0.9 to 1.5 per cent for 2004, Indian banks are well placed. The banking sector reforms also emphasized the need to renew the manpower resources and rationalize the requrements by drawing a reaslistic plan so as to reduce the operating cost and improve profitability.

Simplification of tax laws

1542. SHRIMATI SYEDA ANWARA TAIMUR:
SHRI VIJAY J. DARDA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to simplify tax laws and streamline procedure to bring more people into the tax net and cut the fiscal deficit;

(b) if so, the details thereof; and

(c) by when, the proposal is likely to be implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) Yes, Sir. The Government's policy is to broaden the tax base while moving towards moderate tax rates and reducing dispersal in rates. The emphasis is to undertake reforms to move towards ratioalization and simplification of the tax structure, procedures and rules/regulations. So far as direct taxes are concerned, an Expert Group has been constituted to prepare as draft for a simplified income-tax code. The Group is expected to submit its report shortly.

Application of Loans under Swaran Jayanti Gram Swarojgar Yojana

†1543. MS. SUSHILA TIRIYA:
SHRI MOTILAL VORA:

Will the Minister of FINANCE be pleased to state:

(a) the number of poor persons who have applied in various banks till

†Original notice of the question was received in Hindi.